

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF MINNESOTA  
THIRD DIVISION

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In re:

Bky. No. 04-30023-DDO  
Chapter 13 Case

Mary C. Savat,

Debtor.

**RESPONSE TO OBJECTION OF  
ESSIELEANERA ROBERTS TO  
CONFIRMATION OF DEBTOR'S  
CHAPTER 13 PLAN**

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To: Essieleanera Roberts and her attorneys, Christopher M. McCullough, GRAY PLANT MOOTY MOOTY & BENNETT, P.A., 500 IDS Center, 80 South Eighth Street, Minneapolis, Minnesota 55402; and David L. Shulman, SHULMAN & DORNBOS, PLLC, 1005 West Franklin Avenue, Suite 3, Minneapolis, Minnesota 55405, The United States Trustee, The Standing Chapter 13 Trustee And All Others Entitled To Notice Pursuant To Local Rule 9013:

Debtor Mary C. Savat hereby submits her responses to Objection of Essieleanera Roberts to Confirmation of Debtor's Chapter 13 Plan.

OBJECTION NO. 1:

Until recently, the Debtor was married to Jeffrey A. Knutson ("Mr. Knutson"), the sole shareholder of J.A.K. Enterprises, a Minnesota corporation engaged in, *inter alia*, the residential construction business.

RESPONSE:

Debtor admits that this is true.

OBJECTION NO. 2:

From at least 2001 until 2003, the Debtor was an agent of J.A.K. Enterprises and handled the company's financial affairs.

RESPONSE:

Debtor did not handle all of the JAK financial affairs. Debtor's former spouse, Jeff Knutson would deposit money into the JAK operating account and would not tell the debtor what the money was for. Knutson never told Debtor, for example, that some of the money was to be held in trust for others. Debtor did not pay all of the bills for JAK;

Mr. Knutson paid may of the subcontractors himself and bought much of the materials used by JAK himself. Debtor only paid the bills that came to the house.

OBJECTION NO. 3:

In September 2001, Ms. Roberts hired J.A.K. Enterprises to rebuild her residence, which had been partially destroyed by fire.

RESPONSE:

Debtor admits this is true.

OBJECTION NO. 4:

Over the course of the project, J.A.K. Enterprises took a larger profit than it was entitled to, failed to pay subcontractors and suppliers, and used cheaper materials than those originally agreed to by the parties.

RESPONSE:

Debtor was unaware of the arrangement that Jeff Knutson had with Mrs. Roberts and only has heard hearsay from both her ex-husband and Mrs. Roberts about the contract that existed between JAK and Mrs. Roberts. My understanding is that Jeff Knutson did the demolition, framing, sheetrocking, taping, mudding, painting, cabinets, trim, etc, although he was the general contractor. His labor was valued at \$128,000 for this work, that is, for hours spent actually working on the jobsite.

OBJECTION NO. 5:

Then, after having been paid \$665,800, in August 2002, J.A.K. Enterprises walked off the project, leaving the project unfinished and subcontractors and suppliers unpaid.

RESPONSE:

My understanding is that Mrs. Roberts received a final check for \$100,000.00 for which she was supposed to pay subcontractors. Jeff Knutson apparently walked off the job because she wouldn't pay JAK's final bill.

OBJECTION NO. 6:

On December 10, 2002, Ms. Roberts brought suit (the "State Court Lawsuit") in Hennepin County District Court (the "District Court") against Mr. Knutson, J.A.K. Enterprises, and the Debtor (collectively, the "Defendants"). A copy of the Complaint filed by Ms. Roberts in the State Court Lawsuit is attached to this Objection as Exhibit A.

RESPONSE:

Debtor admits that this is true.

OBJECTION NO. 7:

In the State Court Lawsuit, Ms. Roberts brought, *inter alia*, a claim against the Debtor for violations of Minn. Stat. § 514.02. Exhibit A.

RESPONSE:

Debtor admits this is true. Debtor denied that she was responsible to Ms. Roberts under the terms of this statute because she was not an employee of JAK.

OBJECTION NO. 8:

After several months of discovery in the State Court Lawsuit, the magnitude of the Defendants' unlawful conduct came to light. The Defendants refused to account for more than \$300,000 of the \$665,800 Ms. Roberts had paid them. A copy of Defendants' Answers and Supplemental Answers to Plaintiff's Interrogatories and Responses to Request for Production of Documents (Set I) are attached to this Objection as Exhibit B.

RESPONSE:

Debtor's former attorney was unprepared for the hearing where these issues were discussed. Although it is difficult to determine how to respond to this allegation, since the numbers that Ms. Roberts has asked JAK and the Debtor to justify continually change, JAK and the debtor have provided information to Ms. Roberts concerning the alleged differences, to wit: \$73,000 paid to Distinctive Southern Homes, wages were paid to Jeff Knutson in the approximate amount of \$100,000 and \$41,000 was used to purchase a truck.

OBJECTION NO. 9:

In addition, the Defendants owe another approximately \$43,000 to suppliers and subcontractors for their work on the project. A copy of unpaid project invoices is attached to this Objection as Exhibit C.

RESPONSE:

Mrs. Roberts had \$100,000.00 to pay suppliers and subcontractors. Apparently, she has not used this money for the purpose for which it was intended.

OBJECTION NO. 10:

Ms. Roberts paid an additional \$70,645.41 out of her own funds to project suppliers and subcontractors who were not paid by J.A.K. Enterprises. Exhibit D.

RESPONSE:

See Response to OBJECTION NO. 9.

OBJECTION NO. 11:

Alarmed by the Defendants' refusal to account for such a large amount of her money, on April 25, 2003, Ms. Roberts moved the District Court in the State Court Lawsuit for pre-judgment attachment of the Defendants' assets pursuant to Minn. Stat. §§ 570.02 and 570.026.

RESPONSE:

Debtor admits that this was done.

OBJECTION NO. 12:

On May 22, 2003, the District Court granted Ms. Roberts' attachment motion, attached an initial list of the Defendants' property, and ordered the Defendants to make a more complete disclosure of their assets. A copy of the District Court Order and Memorandum is attached to this Objection as Exhibit E.

RESPONSE:

See Response to OBJECTION NO. 8.

OBJECTION NO. 13:

As they had done on the construction project, the Defendants then engaged in another round of deceit with the District Court and with Ms. Roberts. First, the Defendants resisted disclosing all of their assets to the District Court. A copy of Ms. Roberts' memoranda in support of her Motion for Contempt and for an Award of Attorneys' Fees is attached to this Objection as Exhibit F.

RESPONSE:

Debtor denies that she was in contempt of court.

OBJECTION NO. 14:

When Ms. Roberts challenged the Defendants' asset disclosures, the Debtor admitted that she had not disclosed a \$3,000 sewing machine, though the sewing machine was the Defendants' most valuable household asset. The Debtor also failed to disclose this sewing machine despite having previously disclosed to the District Court another sewing machine valued at \$50. The Debtor also admitted that she had not previously disclosed to the District Court a \$1,200 computer and a printer/fax/monitor purchased recently, though these too ranked among her most valuable household assets. Exhibit F.

RESPONSE:

The printer/fax/monitor was disclosed. The \$3,000 sewing machine was actually an embroidery machine had been put away and I did not even think of it when listing this my assets. The embroidery machine was sold to pay attorney's fees.

OBJECTION NO. 15:

Currently, the District Court has under advisement a motion for contempt based, in part, on Defendants' failure to disclose assets.

RESPONSE:

The Debtor admits that this is true

OBJECTION NO. 16:

With discovery now complete in the State Court Lawsuit, it appears that the \$300,000 missing from Ms. Roberts' project was taken as profit by Mr. Knutson and the Debtor.

RESPONSE:

Debtor denies that she benefited from the JAK contract with Ms. Roberts except to the extent that money came out of JAK on a regular basis for the payment of household bills.

OBJECTION NO. 17:

In her deposition, the Debtor testified to withdrawing from J.A.K. Enterprises \$104,400 in dividends or distributions. The Debtor forged Mr. Knutson's signature on the back of the checks to endorse them for deposit. The Debtor admitted under oath that she decided the amount of the dividends or distributions based on her "personal bills." A copy of the Deposition of Mary Savat, pp. 22-35, 39 and cancelled checks is attached to this Objection as Exhibit G.

RESPONSE:

Debtor has authority from her then husband to execute JAK checks with his name and to withdraw funds from the JAK account to pay our household bills. Jeff Knutson authorized each draw.

OBJECTION NO. 18:

The Debtor's deposition testimony directly contradicted her earlier sworn statement to the District Court that she did "not receive a salary, *dividend*, loan repayment, *capital distribution* or *any type of financial compensation* from JAK" Enterprises. A copy of the Affidavit of Mary Savat is attached to this Objection as Exhibit H. (emphasis supplied.)

RESPONSE:

The Debtor stands by her sworn statement. The only funds that came into the Debtor's joint account with Jeff Knutson were draws Mr. Knutson authorized to be paid to him for his work for the company.

OBJECTION NO. 19:

The Debtor also wrote and signed \$9,800 in checks made payable to "Cash" drawn on the J.A.K. Enterprises checking account. A copy of cancelled checks made payable to "Cash" and signed by the Debtor is attached to this Objection as Exhibit I.

RESPONSE:

Debtor admits that these checks were used for household expenses.

OBJECTION NO. 20:

On August 12, 2003, Mr. Knutson filed a voluntary petition for relief under Chapter 13 of Title 11 of the United States Code.

RESPONSE:

Debtor admits this is true.

OBJECTION NO. 21:

On November 11, 2003, Ms. Roberts reached a settlement of her claims against Mr. Knutson and J.A.K. Enterprises. In connection with the settlement, J.A.K. Enterprises signed a Confession of Judgment. A copy of the Settlement Agreement is attached to this Objection as Exhibit J.

RESPONSE:

Debtor asserts that the document speaks for itself.

OBJECTION NO. 22:

On November 13, 2003, the parties attended a pretrial/settlement conference with the District Court Judge presiding over the State Court Lawsuit. A copy of the Scheduling Order in the State Court Lawsuit is attached to this Objection as Exhibit K.

RESPONSE:

Debtor admits this is true.

OBJECTION NO. 23:

Also on November 13, 2003, the District Court issued an Order setting the State Court Lawsuit for trial the week of February 16, 2004, or February 23, 2004. A copy of the Order Setting Trial Date is attached to this Objection as Exhibit L.

RESPONSE:

Debtor admits this is true.

OBJECTION NO. 24:

On December 22, 2003, the District Court granted from the bench Ms. Roberts' motion to amend the complaint to add a claim for unjust enrichment against the Debtor. A copy of the Amended Complaint is attached to this Objection as Exhibit M.

RESPONSE:

The Debtor opposed the motion but did not have the funds to continue to fight Ms. Roberts in Court and therefore the motion was granted by default.

OBJECTION NO. 25:

In the State Court Action, the Debtor disclosed assets that she did not disclose in her voluntary petition. For example, the Debtor owns and is the beneficiary of life insurance policies. Exhibit N. In addition, the Debtor owns a \$3,000 sewing machine and other electronic equipment that she did not identify in her voluntary petition. Exhibit O.

RESPONSE:

Debtor no longer owns the sewing machine. The life insurance policies are wholly or partially exempt and were inadvertently omitted from the schedules.

OBJECTION NO. 26:

As discussed in more length in the attached Memorandum of Law, Ms. Roberts objects to confirmation of the Plan because the Plan fails to meet the requirements for confirmation under 11 U.S.C. § 1325.

RESPONSE:

See Debtor's Memorandum of Law in Response to Objection.

OBJECTION NO. 27:

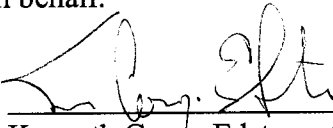
If witnesses are necessary, Ms. Roberts, who resides at 2935 Minnehaha Curve, Wayzata, MN, will testify.

RESPONSE:

Debtor will testify on her own behalf.

Dated:

1/30/04



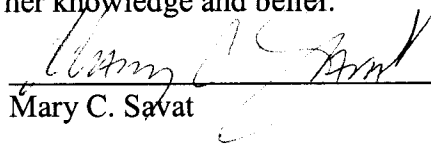
Kenneth Corey-Edstrom (148696)  
Larkin Hoffman Daly & Lindgren Ltd.  
1500 Wells Fargo Plaza  
7900 Xerxes Avenue South  
Minneapolis, Minnesota 55431-1194  
(952) 835-3800  
Attorneys for Debtor

VERIFICATION

The undersigned, under penalty of perjury, declares that she has firsthand knowledge of the facts stated herein and in the accompanying memorandum of law and that they are the truth to the best of her knowledge and belief.

Dated:

1/30/04

  
Mary C. Savat



## UNSWORN DECLARATION OF SERVICE

Under penalty of perjury, I declare that on January 30, 2004, in connection with the matter below, the following document(s) were served on the party(s) listed below in the manners indicated:

RE: Mary C. Savat – Chapter 13 Bankruptcy  
Bky. No. 04-30023-DDO  
Our File No. 28,627-02

1. Response to Objection of Essieleanera Roberts to Confirmation of Debtor's Chapter 13 Plan, with verification of Mary C. Savat;
1. Memorandum of Law in Opposition to Motion of Essieleanera Roberts to Lift Stay; with verification of Mary C. Savat; and
2. Proof of service.

by **U.S. mail**, by enclosing a copy thereof in an envelope, postage prepaid, and by depositing the same in the post office at Bloomington, Minnesota, directed to the party(s) as indicated below:


Christopher M. McCullough, Esq.  
Gray Plant Mooty Mooty & Bennett, PA  
500 IDS Center  
80 South Eighth Street  
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Fax No. 612-333-0066

David L. Shulman, Esq.  
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1005 West Franklin Avenue, Suite 3  
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Fax No. 612-870-7462

United States Trustee  
1015 U.S. Courthouse  
300 South Fourth Street  
Minneapolis, MN 55415  
Fax No. 612-664-5516

Jasmine Keller, Esq.  
Chapter 13 Trustee  
12 South Sixth Street, Ste 310  
Minneapolis, MN 55402-1582  
Fax No. 612-338-4529

and by **facsimile**, by sending the above materials via facsimile machine to the person(s) and at the fax number(s) as indicated above.

  
Britt M. Finstad